Single Formulary
Electronic Prior Authorization
Reporting Requirements

Department of Vermont Health Access
December 14th, 2011

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Today's Agenda

Legislation

Formulary Development

Single Formulary Rationale

Roadmap to Single Formulary

Timeline to Completion

Open Discussion/Feedback

Next Steps

Act 48, Sec. 18 Single Formulary Report Recommendations

- Provide recommendations on a single prescription drug formulary to be used by all payers
  - allows for some variations for Medicaid due to the availability of rebates and discounts
  - allows health care professionals prescribing drugs purchased to use the 340B formulary
- The recommendations shall address
  - Feasibility of requesting a waiver from Medicare Part D in order to ensure Medicare participation in the formulary
  - Feasibility of enabling all prescription drugs purchased by or on behalf of Vermont residents to be purchased through the Medicaid program or pursuant to the 340B drug pricing program
  - A single mechanism for negotiating rebates and discounts across payers using a single formulary, and the advantages and disadvantages of using a single formulary to achieve uniformity of coverage
  - Uniform set of drug management rules aligned with Medicare to the extent possible, to minimize administrative burdens and promote uniformity of benefit management
  - The standards for pharmacy benefit management shall address
    - timely decisions
    - access to clinical peers
    - access to evidence-based rationales, exemption processes, and tracking and reporting data on prescriber satisfaction

Act 51, Sec. 4. Electronic Prior Authorization

- DVHA and Vermont information technology leaders (VITL), in collaboration with health insurers, prescribers,representatives of the independent pharmacy community, and other interested parties, shall evaluate the use of electronic means for requesting and granting prior authorization for prescription drugs

- No later than January 15, 2012, the commissioner and VITL shall report their findings…and make recommendations for processes to develop standards for electronic prior authorizations

Formulary Development

- What drives content on formulary drug list
  - Clinical Appropriateness/Safety/Efficacy
    - Evidence-based literature/data
  - Net cost to payer/insurer/PBM
    - Promotion of generics
    - Relative net cost of drugs in a class
      - Lower cost-preferred status
      - Higher cost-non-preferred status
    - Member cost share (Tier Structure)
    - Manufacturer Rebates/Discounts and % sharing

Single Formulary

- Advantages
  - Simplifies process for Providers (prescribers, pharmacies) and Members
    - One/two drug lists vs. 25+ drug lists
    - One set of Utilization Management rules/Prior Authorization criteria
    - Single point of contact for pharmacies, providers, members (call centers)

- Disadvantages
  - In multi-payer/multiple PBM environment
    - Costs increase if “formulary alignment” is mandated vs. “single formulary” under single PBM
      - Every PBM has national manufacturer contracts impacting their entire BOB
      - Pricing benefits of those negotiations for Vermont payers potentially disappear if single formulary does not align with those contracts
      - PBM contract costs could rise
      - Costs could be passed on to members via higher cost share/premiums
    - Even IF there was a single “drug list”, administration would still be fragmented among multiple payers
    - Difficult to administer/manage
      - Consensus on drug decisions-multiple P&T Committees-timing of decisions-maintenance of changes, etc..
    - Diverts resources that could be better utilized
- In single-payer/single PBM environment
    - Most of the cons disappear, many more pros

Roadmap to Single Formulary

- **Facilitate administrative simplification in multi-payer environment (Short Term beginning Jan 2012)**
- **Begin to implement single formulary with early adopters of single payer (Intermediate beginning Jan 2013)**
- **Implement single PBM and single formulary for expansion to single payer groups (Longer Term beginning Jan 2017)**

Facilitate administrative simplification in multi-payer environment

- Promote physician access to formularies and e-Prescribing through
  - Provider incentives for adoption of e-Rx and Electronic Health Record (EHR)
  - Development and refinement of formulary interface via EHR, consistent display of information among insurers
  - Reimbursement of transactional costs
- Monitor development of national electronic PA EHR standards
- Explore common rules and best practices among multiple payers that all PBM's/insurers could adopt
  - promote more seamless interface for provider community
  - assure timely decisions
  - rules based on evidence-based medicine
  - measure provider satisfaction

Facilitate administrative simplification in multi-payer environment (cont'd)

- Evaluate feasibility of developing web-based multi-payer portal
  - Identifies formularies associated with member, drug status, alternatives, limitations
  - Contains information on provider call centers, forms, criteria etc..in one location
  - Allows real-time electronic PA submittal, faster approvals
- Utilize clinical pharmacists on Community Health Teams to facilitate PA process in provider office
  - Assist with drug selection, formulary compliance
  - Authorizing pharmacist to submit PA requests on behalf of physicians
- Expand Academic Detailing program to promote generics and appropriate prescribing
- Stakeholder suggestions?

Impact of Prior Authorization

Patient hassle and treatment delay

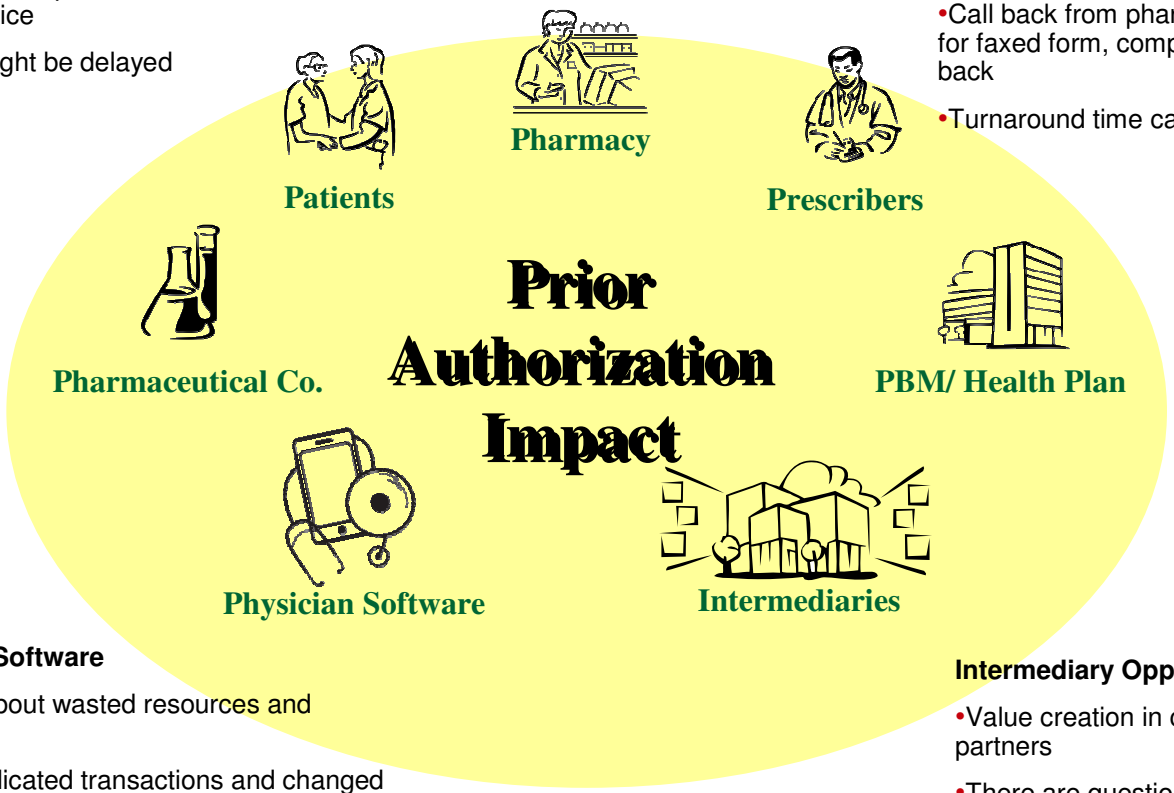
- PA unknown until patient has already left office
- Treatment might be delayed for days

Pharmacy hassle

- Pharmacy must call prescriber's office, and sometimes the plan

Prescriber hassle and disruption

- Call back from pharmacy, must call plan, wait for faxed form, completes form and sends it back
- Turnaround time can be 48 hours or more



Pharmaceutical Co

- Delayed and abandoned prescriptions
- Extensive outlay for physician and patient administrative assistance

PBM/Health plan efficiency

- Expensive and labor intensive process that creates animosity

Physician Software

- Concern about wasted resources and priorities
- New complicated transactions and changed workflow

Intermediary Opportunity

- Value creation in connecting partners
- There are questions of priority, however

Status of national e-PA EHR standards

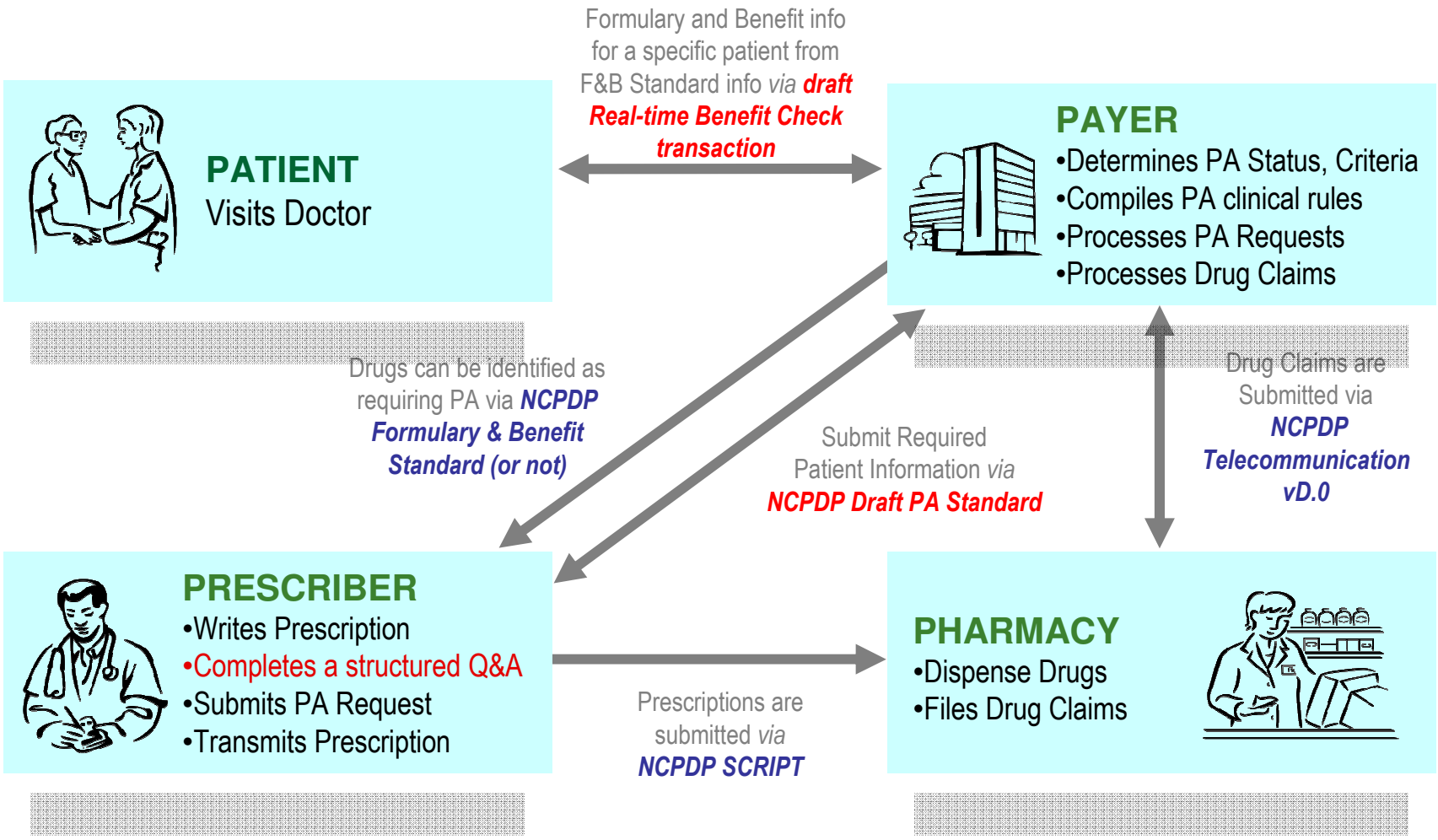
- Health Information Technology for Economic and Clinical Health (HITECH) Act
  - The HITECH Act specifically identified e-prescribing as a requirement for eligible professionals participating in the EHR incentive programs, and therefore it is part of the "core set" of meaningful use objectives and measures
- Medicare Improvements for Patients and Providers Act of 2008 (MIPPA)
  - MIPPA focuses on Medicare eligible professionals to encourage e-prescribing with a separate incentive program requiring use of a qualified e-prescribing system
- The HHS' Office of the National Coordinator for Health Information Technology (ONC) requires as a condition of certification (for the purposes of meaningful use) that EHR technology be capable of generating and transmitting electronic prescriptions. However certification does not require that EHR technology also be capable of performing electronic prior authorization

Status of national e-PA EHR standards

- Currently no widely adopted, common, industry transaction standard that has been demonstrated to support real-time e-PA, nor a common or universal electronic format that has been demonstrated to facilitate distribution of prior authorization forms[1]
- National Council for Prescription Drug Programs (NCPDP) is a not-for-profit ANSI-Accredited Standards Development Organization representing virtually every sector of the pharmacy services industry
- Work has been done by the NCPDP to create an XML-based e-PA messaging standard and a real-time eligibility check messaging standard

[1] Ref: Office of the National Coordinator for Health Information Technology (ONC) http://www.healthit.gov/buzz-blog/from-the-onc-desk/eprescribing-standards-eprior-authorization/

Proposed Standard



Red *= gaps in existing standards* ***Blue*** *= existing standards*

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Status of national e-PA EHR standards

- There is a lack of established and fully vetted standards to support e-PA and the current lack of capability to support e-PA in implemented EHR systems.
- There are draft standards not yet been tested in pilots, but pilots are being developed
- NCPDP convened a focus group October 2011 for entities that are implementing or serious about testing the e-PA transaction exchange. The e-PA Task Group will begin conference calls again in late Nov/Dec 2011.

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Roadmap to Single Formulary

Intermediate Steps

- **Begin to implement single-formulary with early adopters of single payer (Begin Jan 2013)**
  - Medicaid (new MES procurement Jan 2014)
  - Duals (Jan 2013)
  - State Employees
- **Continue to develop processes for multi-payer administrative simplification (continuation from 2012)**
  - Multi-Payer Provider Portal to facilitate e-PA
  - Multi-Payer effort to incorporate electronic PA into EHR systems

Rollout of single formulary to single payer/single PBM expansion groups

Long-Term Steps

- Fully-Insured Markets
- Municipal Employees
- Self-Insured Choosing to Participate in Single-Payer

Next Steps

- Minutes of stakeholder meeting-summarize and incorporate feedback
- Develop report of recommendations (1/15/12)
- Initiate smaller workgroups 1st quarter 2012 to begin discussion around administrative simplification